

Message Text

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67

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SPC-03 SS-15

USIA-15 ACDA-19 IO-13 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

DRC-01 /187 W

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R 211909Z SEP 73

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 5779

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E.O. 11652: NA

TAGS: ECON, CI

SUBJECT: CHILE'S CURRENT ECONOMIC SITUATION

1. SUMMARY: NEW GOVT IS MAKING ASSESSMENT OF PUBLIC FINANCES AND PLANS SHORT-TERM COURSE FOR ECONOMY AS SOME INDUSTRIAL ACTIVITY RESUMES. SUPPLIES OF BASIC CONSUMER ITEMS ARE IMPROVED BUT STILL NOT ADEQUATE. NEW OFFICIAL PRICES SET FOR SOME BASIC FOOD ITEMS. END SUMMARY.

2. NEW GOVT CURRENTLY ASSESSING STATUS OF NATION'S PUBLIC FINANCES. JUNTA'S GENERAL LEIGH SAYS CHILE'S TREASURY IS IN "MORTAL" CONDITION. CENTRAL BANK PRESIDENT CANO WORKING ON SHORT-TERM ECONOMIC PLANS WITH MINISTRIES OF FINANCE AND ECONOMY AND CHILEAN DEVELOPMENT CORP (CORFO). CCANO SAID CREDITS HAVE ALREADY BEEN OFFERED INFORMALLY TO CHILE BY SOME LATIN AMERICAN AND WEST EUROPEAN COUNTRIES AND BY US (SIC). HE REITERATED THAT CHILE WILL HONOR ITS INTERNATIONAL ECONOMIC OBLIGATIONS. CANO SAID CENTRAL BANK WOULD END FINANCING OF PUBLIC ENTERPRISE DEFICITS AND EMPHASIZED NEED FOR SUCH ENTERPRISES TO BECOME SELF-FINANCING.

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3. INDUSTRIAL ACTIVITY IN GREATER SANTIAGO AREA IS SLOWLY PICKING UP. ALL BANKS REPORTED OPEN IN CAPITAL ON 20 SEPT. SANTIAGO STOCK MARKET HECTIC IN RECENT DAYS WITH LARGE GAINS RECORDED FOR MOST ISSUES. REAL ESTATE OFFICES VERY BUSY AS MANY CHILEANS RAISE PRE-COUP SALES AND RENTAL PRICES. PARALLEL ESCUDO-US\$ 1600-1 ON 21 SEPT.

4. JUNTA SEEMS TO HAVE HAD INITIAL SUCCESS IN INCREASING SUPPLIES OF SOME SCARCE ESSENTIAL CONSUMER ITEMS AT OFFICIAL PRICES, BUT THIS MAY BE AT EXPENSE OF EXHAUSTING STOCKS. OFFICIAL PRICES OF SOME ESSENTIAL ITEMS HAVE BEEN INCREASED SIGNIFICANTLY IN RECENT DAYS WHILE OTHERS REMAIN AT PRE-COUP LEVELS. GENERAL POLICY SEEMS TO BE THAT PRICES ON SOME ITEMS CAN BE SET AT NEAR BLACK MARKET LEVEL WITHOUT MUCH HARM TO CONSUMERS SINCE MOST WERE ALREADY BUYING ON BLACK MARKET. JUNTA HAS THREATENED SPECULATORS WITH SEVERE PUNISHMENT AND HAS ASKED BUYING PUBLIC TO REPORT VIOLATIONS. SUPPLIES OF FINISHED PETROLEUM PRODUCTS REPORTED TO BE NORMAL IN SANTIAGO AREA.

DAVIS

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